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Employment, Unemployment, and Medical Care in Russia: Exploratory Analysis of Household Survey Data

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Abstract

The crisis in the Russian economy during the last years has caused a high rate of unemployment and official statistics show unrealistic figures for both employment and unemployment. Distribution of unemployment benefits also fails to correspond to the reality of the situation. Very often these benefits fail to reach the right sources. This paper is intended to bring to light the real figures on employment and unemployment, to find the reasons behind the ineffective distribution of unemployment benefits and to find ways to arrive at a fair solution to this problem. The paper also presents the actual situation with regard to medical care in Russia, and the slow development of private medical service and medical insurance. All numbers utilized in the document date from the end of 1996.

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Employment, Unemployment, and Medical Care in Russia: Exploratory Analysis of Household Survey Data

Serguei V. Sourkov.

Introduction

Since 1991 the Russian economy has been in a deep crisis. This crisis created many problems in the social security system, and especially in the pension system. Real pensions are constantly being decreased and delayed. Following the period of hyperinflation between 1992-1995, Russian pensioners have no savings left and the social position of old people is declining. At the same time the actual number of pensioners is increasing very rapidly. The reason for delays in pension payments is that the state pension fund is no longer able to meet their financial commitment. Private pension funds play a very minor role (less than 1% of the pensioners use such funds). Russia's pension system is still a Pay-As-You-Go system, and Russia is a country with a rapidly aging population. At the same time, the country is characterized by a huge share of the economy being conducted as a 'black sector', and the number of registered unemployed is large. It is interesting to note that ten years ago unemployment was unknown in the former Soviet Union, therefore the phenomenon represents a new problem for the Russian economy.

One of the most serious problems is the reliability of statistical information. Figures provided by the State Committee of Statistics (Goskomstat) and Interstate Statistical Committee of the Commonwealth of Independent States (Statkomitet CIS) are not, as a rule, considered accurate. Only a very few statistics on employment, unemployment and medical care are really reliable and useful.

Among the most reliable sources of information obtainable are the results of studies of the labor force market. The Carolina Population Center and the University of North Carolina at Chapel Hill undertook such research at the end of 1996. They organized the study through the "Household Questionnaire" and the "Questionnaire for Adults" in which 8,342 people and 3,750 households from 38 regions (160 population points) participated in the survey. The above study is considered to be fully representative of Russia and this research paper is based on the results of that survey. The term 'representative' means that the results of the survey reflect the real situation concerning the Russian labor market, and it is therefore possible to extend the research results to evaluate the state of the labor market and the medical services.

The paper presents alternative figures, which characterize the condition of the Russian economy, the labor market and the level of medical services. Almost all the figures refer to the end of 1996. It is divided into three main sections. In the first section, figures are summarized, serving to characterize the labor market in the Russian Federation, the situation with regard to unemployment, and the distribution of unemployment benefits. The second section analyses the distribution of unemployment benefits in Russia (at the regional level), and the third section presents data on medical treatment.

1. Employment and Unemployment in Russia

According to the Statkomitet CIS, the Russian population totaled 147.5 million people as at the end of 1996. This figure is perhaps the most reliable available. Of the total population, the official number of employed was about 44.7% (66.0 million people) (Goskomstat). This estimate consists of a relatively reliable component, supplied by large and medium-size enterprises, whose responsibility it is to report regularly to the Goskomstat. The estimate of levels of employment in small enterprises is less reliable. According to the labor force survey questionnaires of the Carolina Population Center and the University of North Carolina, employment in Russia at the end of 1996 represented 49.9% (73.6 million people) of the population. Employment in the informal sector of the Russian economy (non-official employment) is therefore 5.2% (7.6 million people) or 10.3% of those employed.

Besides these figures, 2.5 million women (1.7% of the population) are on maternity leave, and 0.7 million people (0.5% of the population) are on an official, paid leave. These results are presented in Figure 1.

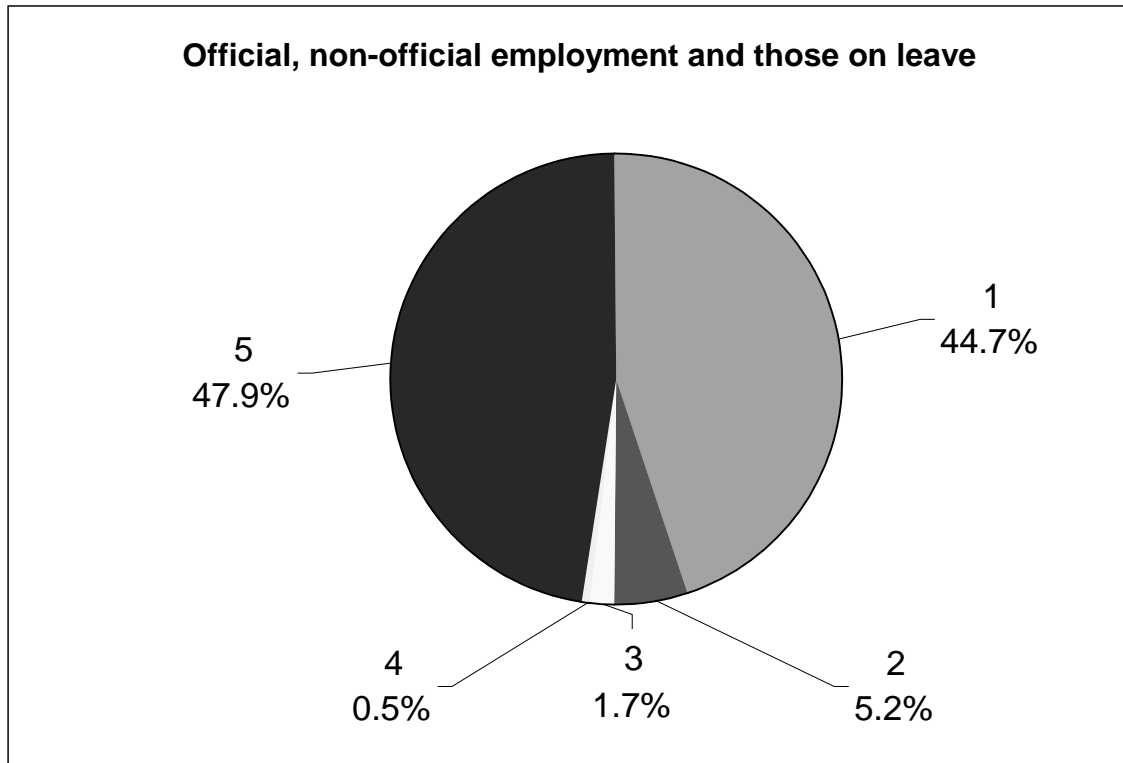


Figure 1.

1. Official employment is 44.7% of the population (66 million people) or 78.6% of the economically active population (EAP);
2. Non-official employment is 5.2% of the population (7.6 million people) or 11.5% of EAP;
3. Maternity leave is 1.7% of the population (2.5 million women) or 3% of EAP;
4. Official paid leave is 0.5% of the population (0.7 million people) or 0.8% of EAP;
5. Economically inactive plus unemployed are 47.9% of the population (70.7million people).

As a conclusion, there are 73.6 million employed people in the Russian Federation. The duration of an average working day is 8 hours and 15

minutes. The average salary before taxes at a primary workplace is 792,708 rubles or \$145 (1996, 4th quarter (Q4) - the exchange rate was 5,467 rubles for \$1). The percentage of employees who do not receive their salary on time represents 59.6% of those employed (42.9 million people). Those workers who do not receive their salary on time carry an average debt of 1.616,358 rubles (\$295). The average period of indebtedness is 3.5 months. Payment in the form of factory outputs represents an average of 6% of salaries. There were also many workers on unpaid leave during 1996. The corresponding figure represents 7.8% of employees (3.9% of the population or 5.7 million people). The average duration of compulsory unpaid leave is 49.5 days. In addition, 5.8% of employees (2.9% of the population, or 4.3 million people) have a shortened working day of less than six hours.

Business activity must be classified as low, with only 6.4% of those employed (4.7 million people) being engaged in entrepreneurial activities. Employees also tend to be rather stable. In 1996 only 18% (13.2 million people) changed their workplaces or profession. However, the number of those employed who would like to find different work is significant - i.e. 35.9% (26.4 million people). Generally, incomes earned by the working population must be classified as low. Many workers are forced to take on a second or even third job, generally in the informal sector. The corresponding figure is 4.2% of those employed or 2.2% of the total population (3.2 million people). There are, however people engaged in informal work, who do not have a second job. This situation is illustrated in Figure 2, comprising two separate parts. The first part indicates the share of workplaces with unpaid leave, and workplaces with a reduced working day. The second part indicates the share of employees who hold a second job.

The duration of an average working day in the second job is 5 hours and 2 minutes. The average salary, excluding taxes, in that job is 671,883 rubles or \$123 (1996, Q4). The percentage of those employed in a second working place who do not receive their salaries on time represents 37.2% (1.2 million people) of those with a second job. The average debt per worker with a second job, and who is paid late is 691,158 rubles (\$126). Those holding down a second job are in debt for an average of 2.1 months. The second workplace does not offer any possibilities of payment in the form of factory output. It must also be noted that 6.3% of the population (9.3 million people) have occasional, additional non-regular jobs.

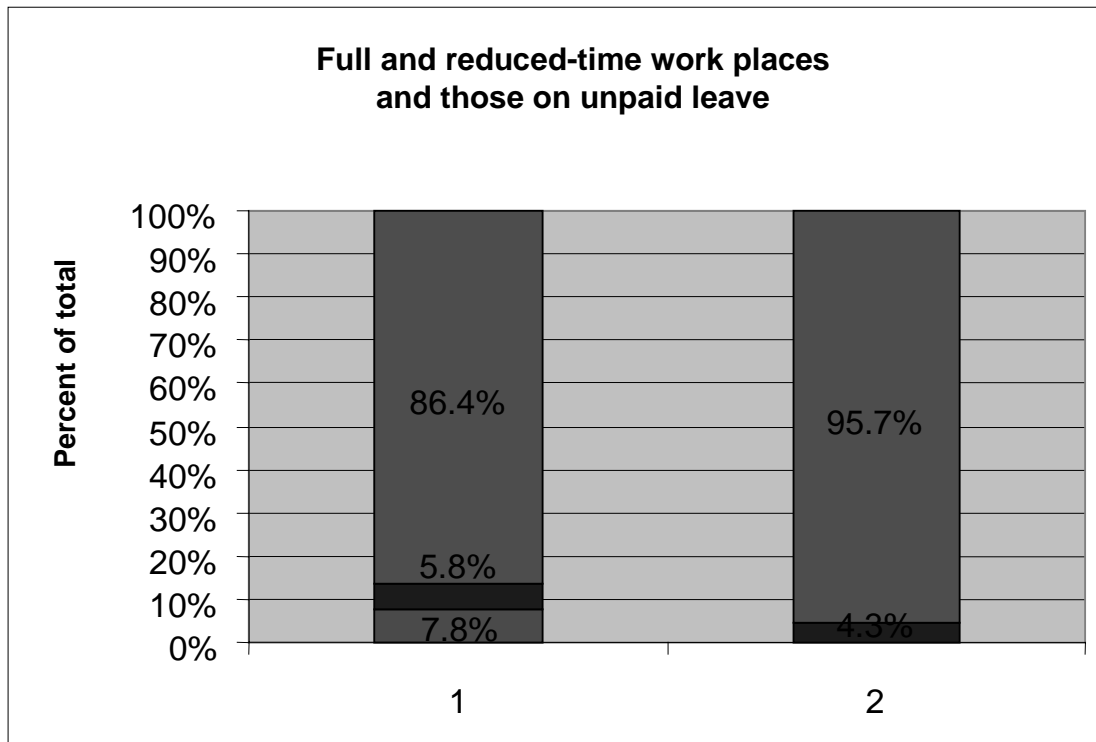


Figure 2.

1. 86.4% of those employed (63.6 million people) have full-time workplaces;
2. 5.8% of those employed (4.3 million people) have reduced-time workplaces;
3. 7.8% of those employed (5.7 million people) have workplaces with unpaid leave;
4. Working people with a single workplace represent 95.7% of the total of those employed (70.4 million people);
5. Working people who have two or more workplaces are 4.3% of the total employed (3.2 million people).

Many pensioners are also forced to work. Figures indicate that 7.2 million people (or 9.8% of the total of those employed) are pensioners. This represents 19% of all pensioners, or 4.9% of the population. Generally, pensioners do not hold down a second job. Figure 3 indicates the percentage of pensioners who have work.

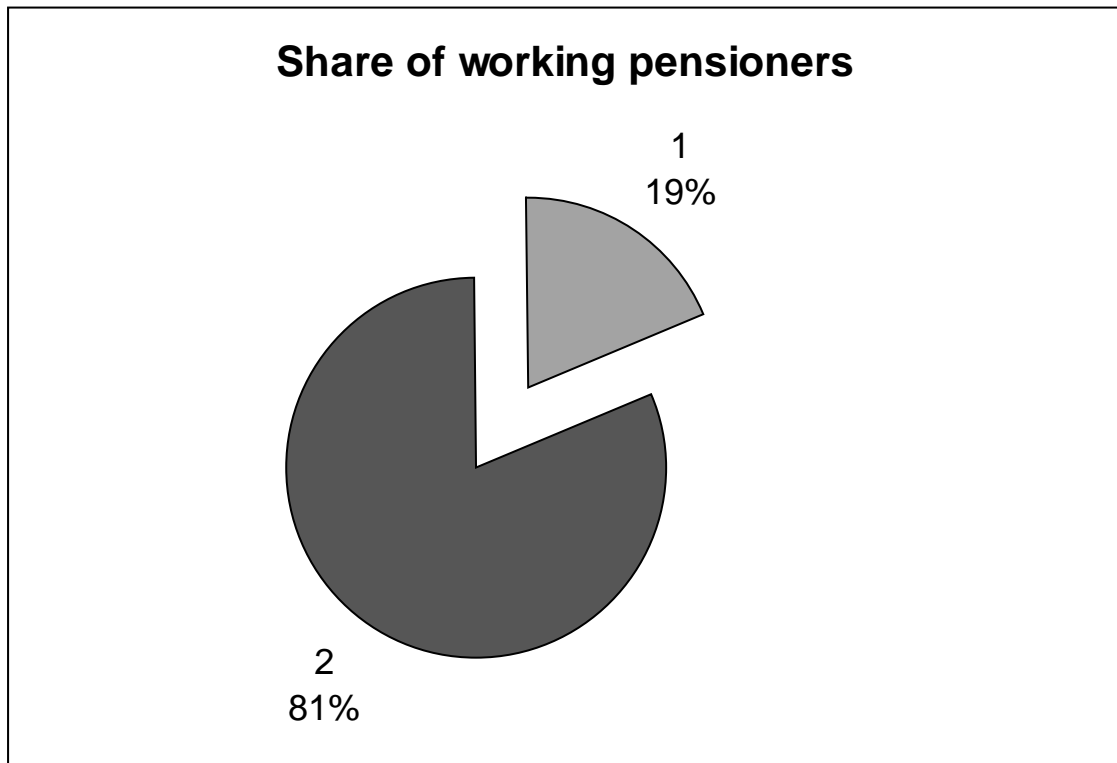


Figure 3.

1. The share of working pensioners is 19% of the total number of pensioners or 7.2 million.
2. Pensioners who do not work represent 81% of the total number of pensioners or 30.7 million.

The total number of pensioners in Russia is 37.9 million people. The average pension is 340,859 rubles (\$62) per month (1996, 4Q). It must also be noted, however, that the purchasing power of this money is very low, barely enough to cover basic expenses and simple food.

There are many people in Russia actively seeking work. According to the research carried out by the Carolina Population Center and the University of North Carolina, 35.5% of the unemployed (24.8 million people) or 16.8% of the total population will be unable to find work. It should be noted, however, that only 42% of this number (10.4 million people) are actively engaged in looking for work. This figure represents the most reliable indication of actual unemployment in Russia. According to these figures, the economically active population is 84 million people, including working pensioners and those involved in working in the informal sector. According to the results of a current statistical questionnaire only 1.7% of the population (2.5 million people) is officially

registered as unemployed. The figure is the same as that provided by Goskomstat, which confirms the reliability of the data of the Carolina Population Center and the University of North Carolina.

Figure 4 shows the structure of the economically active population.

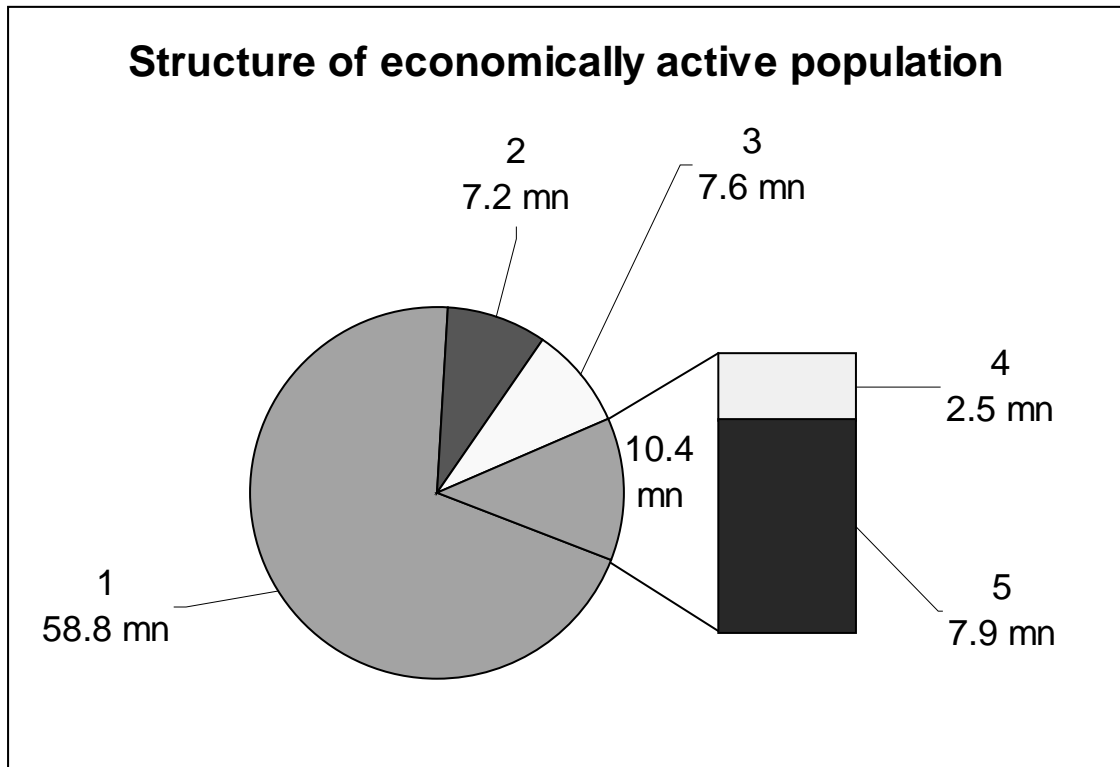


Figure 4.

1. Official employment, excluding working pensioners, is 58.8 million people - or 70% of the economically active population;
2. Working pensioners represent 7.2 million people - or 8.6% of the economically active population. As a rule, pensioners only work in the official sector of the economy;
3. Non-official employment is 7.6 million people or 9% of the economically active population;
4. Registered unemployment is 2.5 million people or 3% of the economically active population;
5. Unregistered unemployment is 7.9 million people or 9.4% of the economically active population.

According to Goskomstat unregistered unemployment amounts only to 4.3 million people. But the real number is 7.9 million people. At the same time, according to Goskomstat, the economically active population is 72.7 million people, but this number does not take into account employment in small enterprises and in the informal sector. Thus the economically active population in Russia amounts to 84 million people. The real numbers and coefficients vary significantly from those of the Goskomstat (see Table 1 (1996, Q4)).

Table 1.

Name of indexes and coefficients	Goskomstat	Survey Results
Economically active population (million)	72.7	84.0
Employment (million)	65.9	73.0
Unemployment (million)	6.8	10.4
Registered in Federal Employment Service (FES, million)	2.5	2.5
Unregistered (million)	4.3	7.9
Unemployment rate, as % of the economically active population registered with FES	3.4	2.9
Unemployment rate, as % of the economically active population registered with FES and unregistered	9.4	12.4
Reduced working day (million)	3.4	4.3
Numbers on compulsory administrative leave (million)	7.5	5.7

If the number of people forced to work a reduced day (4.3 million people) and those on compulsory administrative leave (5.7 million people) are taken into account, the unemployment rate, as percentage of the economically active population, rises to 24.3%.

As a general rule, people do not often go to the Federal Employment Service (FES) to seek work. Only 45.4% of the unemployed (4.7 million people) approached the FES for help in the fourth quarter of 1996. In

Russia the most popular way to find a job is through personal contacts - friends or relatives.

Some sections of the unemployed, 63.6% of those registered as unemployed (1.6 million people), were eligible to receive benefits in Q4, 1996. In reality, however, benefits were only received by 0.8 million people. The average unemployment benefit is 248,205 rubles or \$45 (1996, 4Q).

The average registered unemployment leave in 1996 was 173.5 days. The proportion of those registered as unemployed who have been out of work for longer than 12 months had risen significantly since 1994. Figure 5 shows the duration of registered unemployment (1994-1997). Information for this figure was taken from Goskomstat. It does, however, represent the most reliable figures.

This increase may, in part, indicate that the newly unemployed are not registering with FES, but it probably also reflects the real structure of unemployment. More than one in five people registered as unemployed during the first half of 1997 had been unsuccessfully seeking work for more than one year, compared to one out of 10 in 1994. At the same time the figure indicates the formation of a layer of “professional unemployed” in Russia who do not work at all.

The main purpose of unemployment benefits is to compensate for loss of income by those unemployed, but who are actively looking for new jobs. Only 1.1% of households receives unemployment benefits. All households were divided into ten subgroups (deciles) according to their incomes. The group of households with the lowest incomes is defined as the first decile, while those households with highest incomes represent the tenth decile. Within groups 1-4, incomes represent less than subsistence level for each person in the household. Within groups 5-7, the incomes of households are between 1 and 2 subsistence levels for each person. Within groups 8-10 household incomes are equivalent to more than 2 subsistence levels for each person.

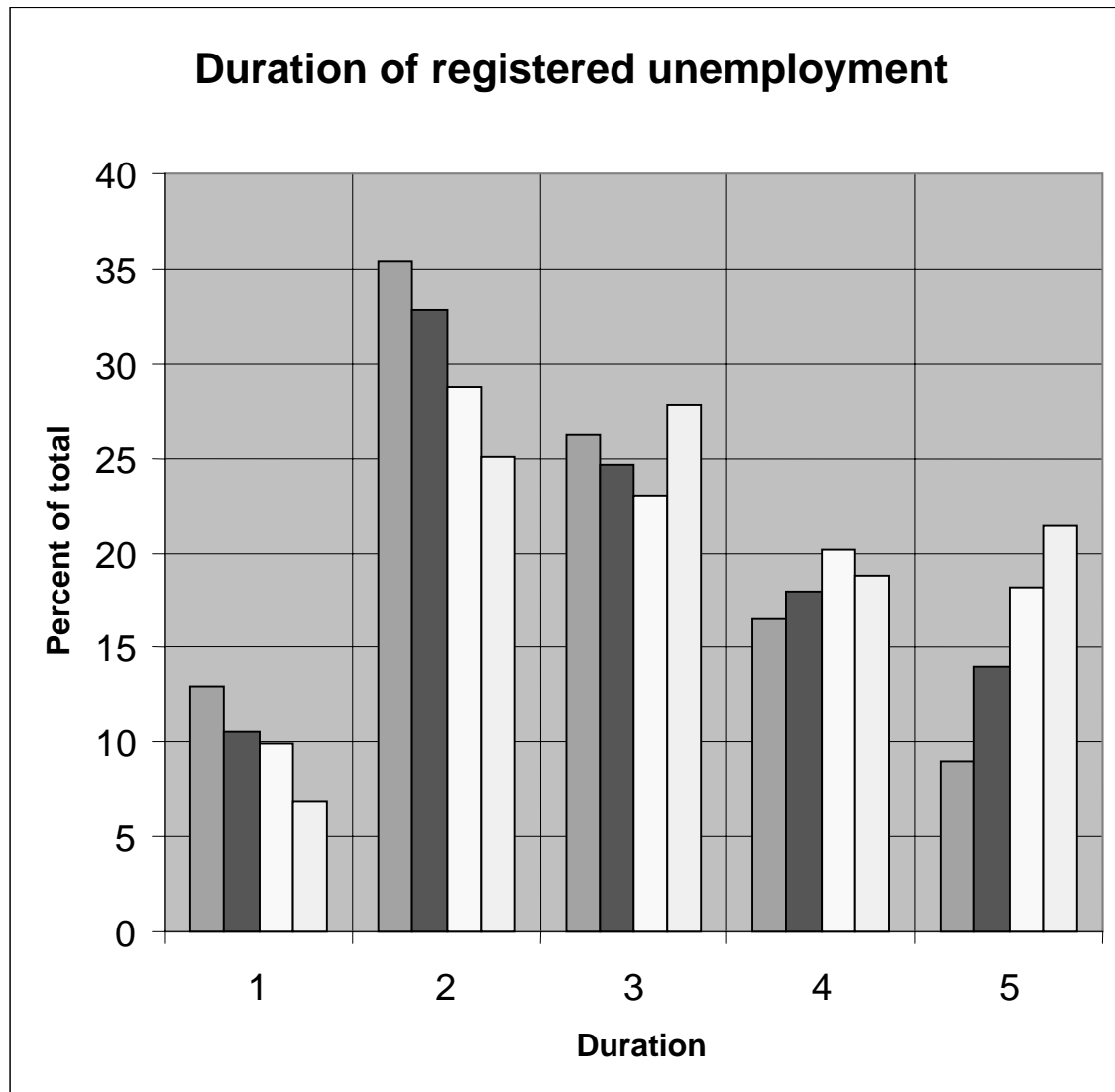


Figure 5.

1. Duration of unemployment of less than 1 month;
2. Duration of unemployment of 1-4 months;
3. Duration of unemployment of 4-8 months;
4. Duration of unemployment of 8-12 months;
5. Duration of unemployment of more than 12 months.

Figure 6 shows the percentage of households receiving unemployment benefits for each group.

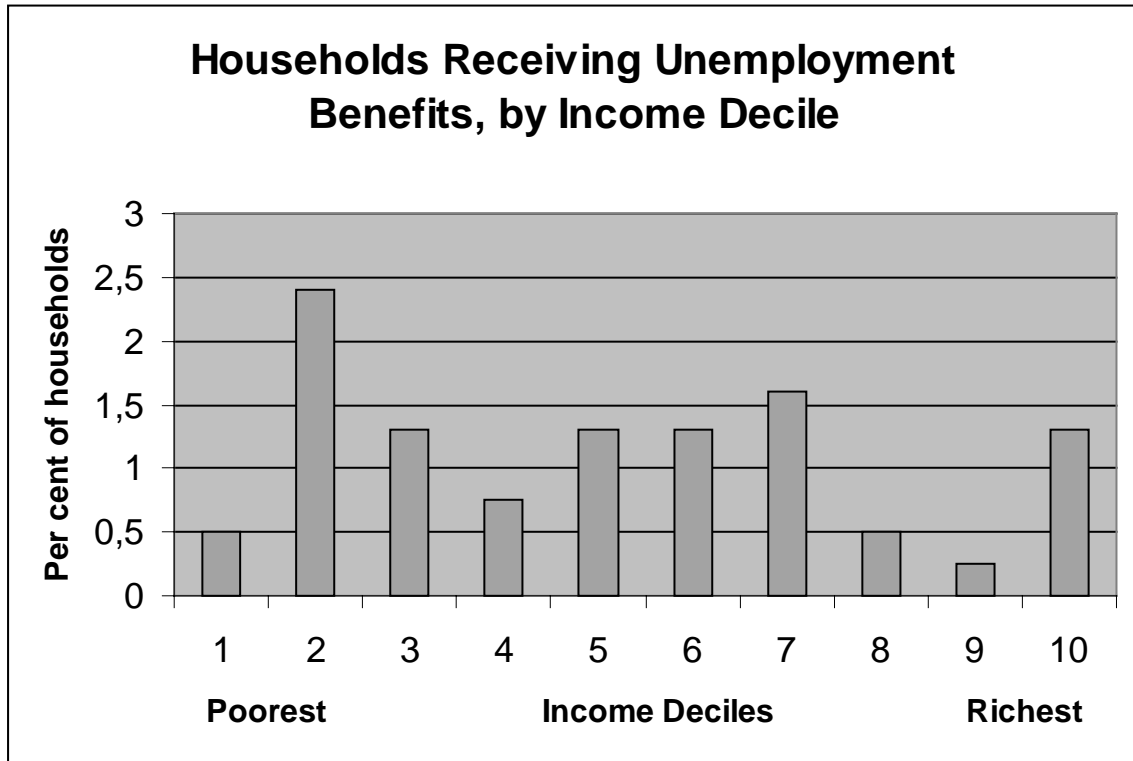


Figure 6.

It can be seen that only 0.5% of the poorest households receive unemployment benefits. At the same time, 1.5% of the richest households receive unemployment benefits. These benefits are not so important for the rich households, especially in the tenth group, where incomes exceed the subsistence level by more than six times. For the poorest households, unemployment benefits play an important part in their total incomes, but for the richest households they do not play any role at all. Figure 7 shows the share of unemployment benefits in total incomes among households receiving unemployment benefits for each decile.

Figure 8 shows the ratio of average income to subsistence level for households receiving unemployment benefits.

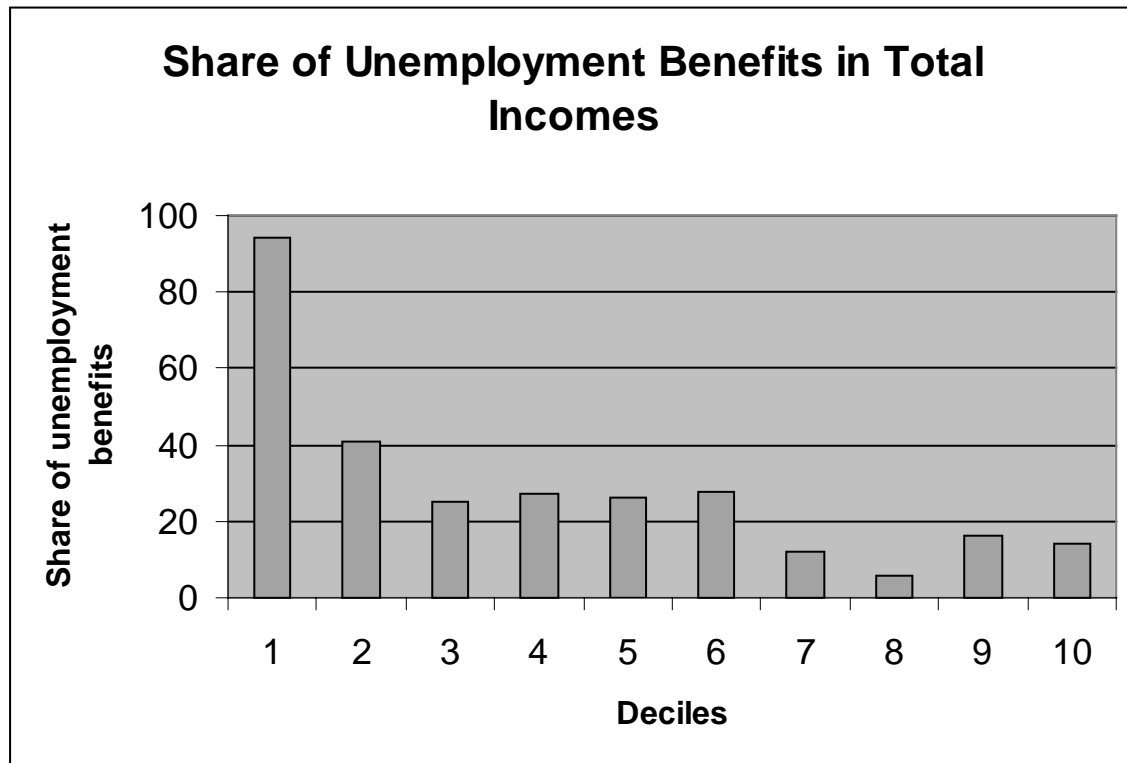


Figure 7.

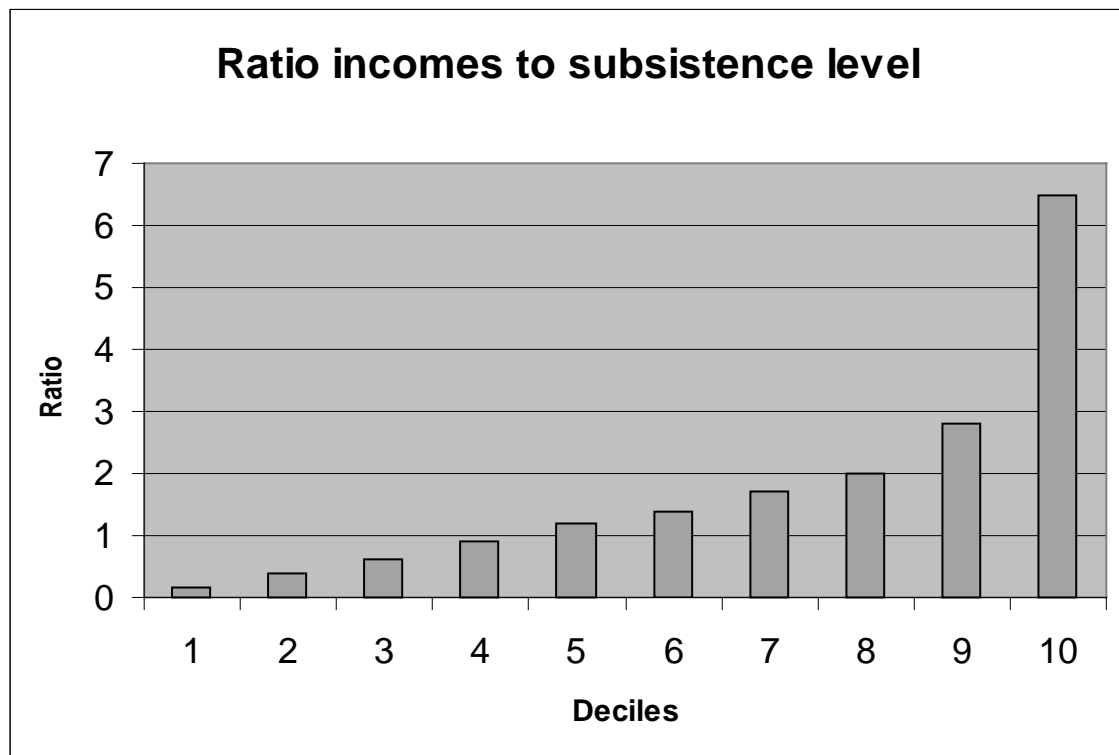


Figure 8.

According to current legislation, the size of unemployment benefits is linked to the level of a former salary. It is obvious that people from the richest households enjoyed higher salary rates than those from the poorest households. Figure 6 only shows the quantity of households receiving unemployment benefits in percent for each decile, while Figure 9 shows the share of each decile in total unemployment benefits.

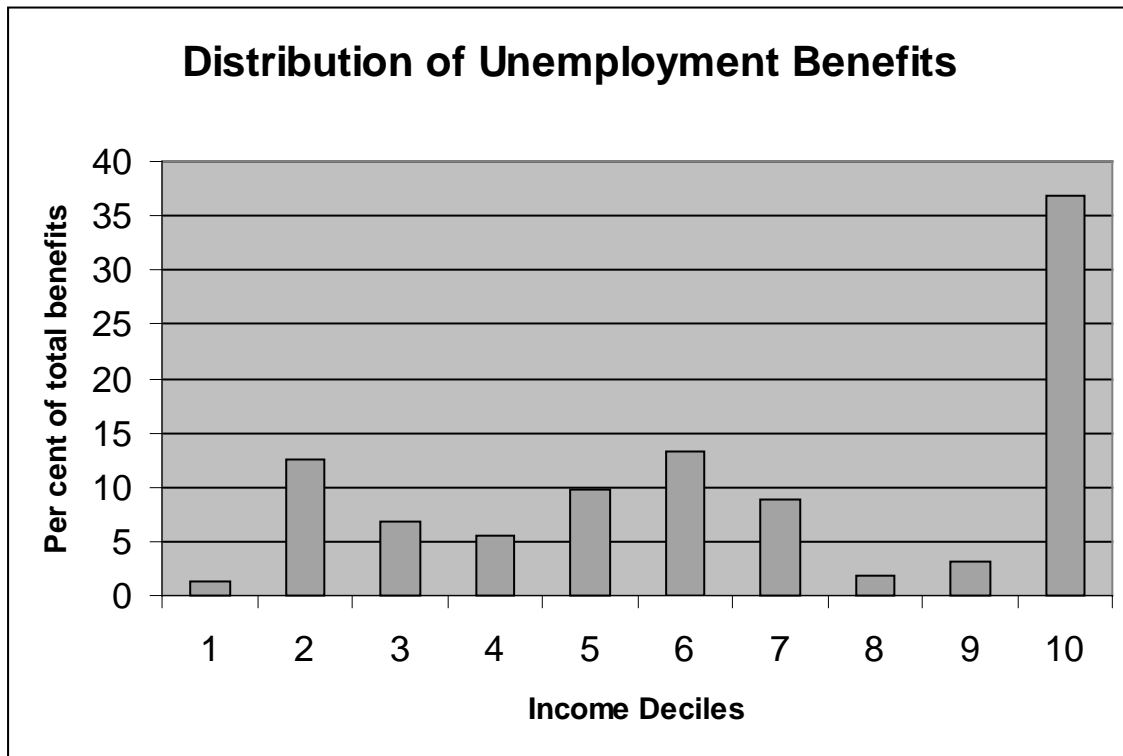


Figure 9.

A very small share of unemployment benefits goes to the poorest households, representing just 1.2% of the total benefits. At the same time, the richest households receive more than 35% of these benefits. Indeed, 42% of the total unemployment benefits go to households within the decile categories of 8-10, while households in the 1-4 decile group receive just 26.3%. This represents a figure below subsistence level. Figure 10 shows the distribution of unemployment benefits.

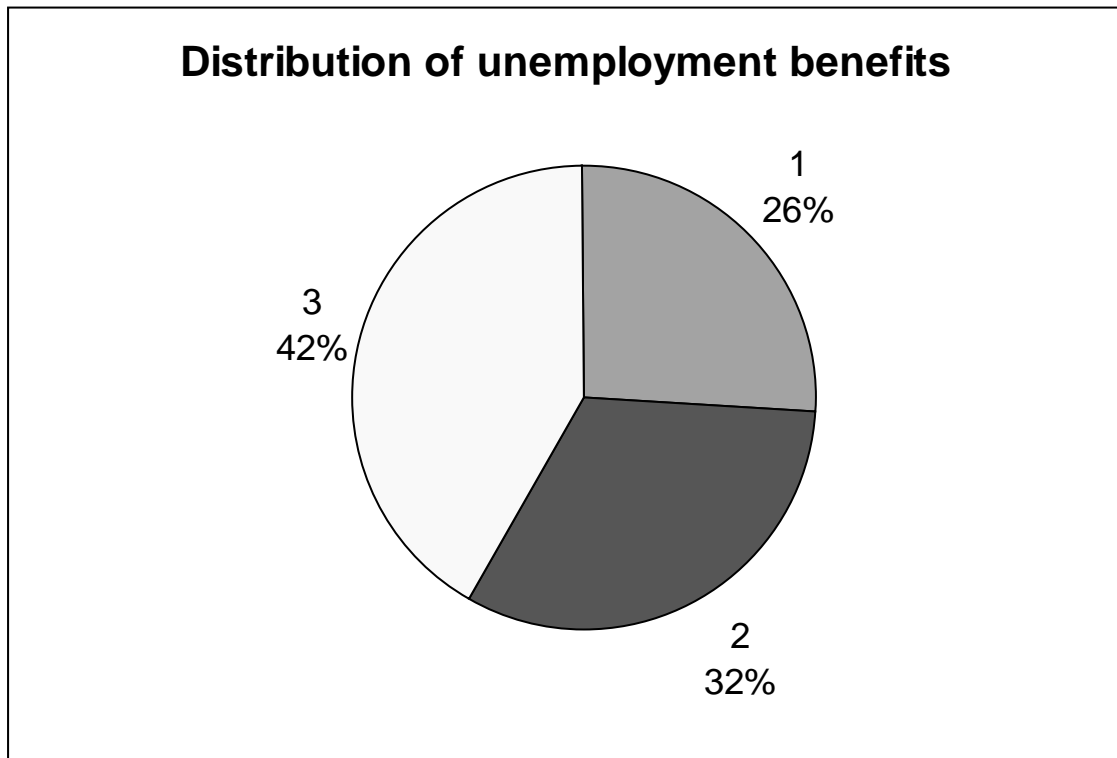


Figure 10.

1. Households with incomes of less than the subsistence level, 1-4 deciles;
2. Households with incomes of 1-2 times the subsistence level, 5-7 deciles;
3. Households with incomes of more than double the subsistence level, 8-10 deciles.

This system naturally represents an ineffective distribution of unemployment benefits. However as wealthier people are better informed about the appropriate legislative procedures, they are in a position to organize any necessary documents in a very short time. As a rule, registration of the unemployed is a very bureaucratic procedure and this accounts for the fact that many people without work fail to register.

The next question involves the level of fairness with which unemployment benefits are distributed. The present system of distribution is ineffective simply because the major part goes to people already in a position to be able to survive without such benefits. At the same time, the poorest households (1-4 deciles, 40% of the households) must somehow survive on incomes of less than subsistence level. There is a great need for enhanced support for the unemployed in these lower category households.

Should a greater portion of the unemployment benefits be distributed instead to the poorer households it would represent a fairer distribution of government funds.

2. Unemployment Benefit Distribution in the Regions of the Russian Federation

The economic situation varies greatly within the different regions of the Russian Federation. The level of unemployment and the structure of distribution of unemployment benefits also vary significantly. The research of the Carolina Population Center and the University of North Carolina at Chapel Hill included a survey carried out in 38 regions of the Russian Federation.

The regions participating in the survey were:

- 1 "St. Petersburg City"
- 2 "Moscow City"
- 3 "Moskovskaya Oblast"
- 4 "Komi (Sictivcar)"
- 5 "Komi (Usinskii reg.)"
- 6 "Leningradskaya Oblast"
- 7 "Smolensk"
- 8 "Kalininskaya (Tverskaya) Obl"
- 9 "Tula"
- 10 "Kaluzskaya"
- 11 "Nizhniy Novgorod"
- 12 "Tchuvashiya"
- 13 "Penzenskaya Obl"
- 14 "Lipetzk"
- 15 "Tambovskaya Obl"
- 16 "Republic of Tatarstan (Kazan)"
- 17 "Saratov City"
- 18 "Saratovskaya Oblast"
- 19 "Volgogradskaya Oblast"
- 20 "Kabardino-Balkar Republic"
- 21 "Rostovskaya Oblast"
- 22 "Krasnodar City"
- 23 "Stavropol'skii Krai"
- 24 "Krasnodarskii Krai"

- 25 "Chelyabinsk City"
- 26 "Kurgan"
- 27 "Udmurtiya"
- 28 "Orenbyrgskaya Obl"
- 29 "Permskaya Obl"
- 30 "Chelyabinskaya Oblast"
- 31 "Tomskaya Oblast"
- 32 "Hanti-Mansiiskii Okrug (Tumenskaya Obl)"
- 33 "Altaiskiy Krai (Biisk)"
- 34 "Altaiskiy Krai (Kuria)"
- 35 "Krasnoyarsk City"
- 36 "Primorskii Krai (Vladivostok)"
- 37 "Krasnoyarskii Krai"
- 38 "Amurskaya Oblast"

Because of the lack of information available in some regions, they were then regrouped into four geographical districts. Households in every district were subdivided into ten groups according to their incomes. Each group of regions was separately analyzed. Thus each separate decile in each district is original, and corresponding deciles from different districts do not correlate with each other.

First, the Central (capital) part of Russia, including four administrative regions:

- "Moscow City"
- "Moskovskaya Oblast"
- "St. Petersburg City"
- "Leningradskaya Oblast"

The share of households receiving unemployment benefits is 1.3% of all households in this district. Figure 11 shows the distribution of unemployment benefits in the most developed regions of Russia.

As only 605 households participated in the survey, it is not possible to draw conclusions. According to the survey, deciles in the categories 3, 5, 7, 8, and 9 do not receive unemployment benefits at all. This, however, does not correspond to the reality of the situation and households from these deciles do in fact, receive unemployment benefits, even if the level of benefits is insignificant.

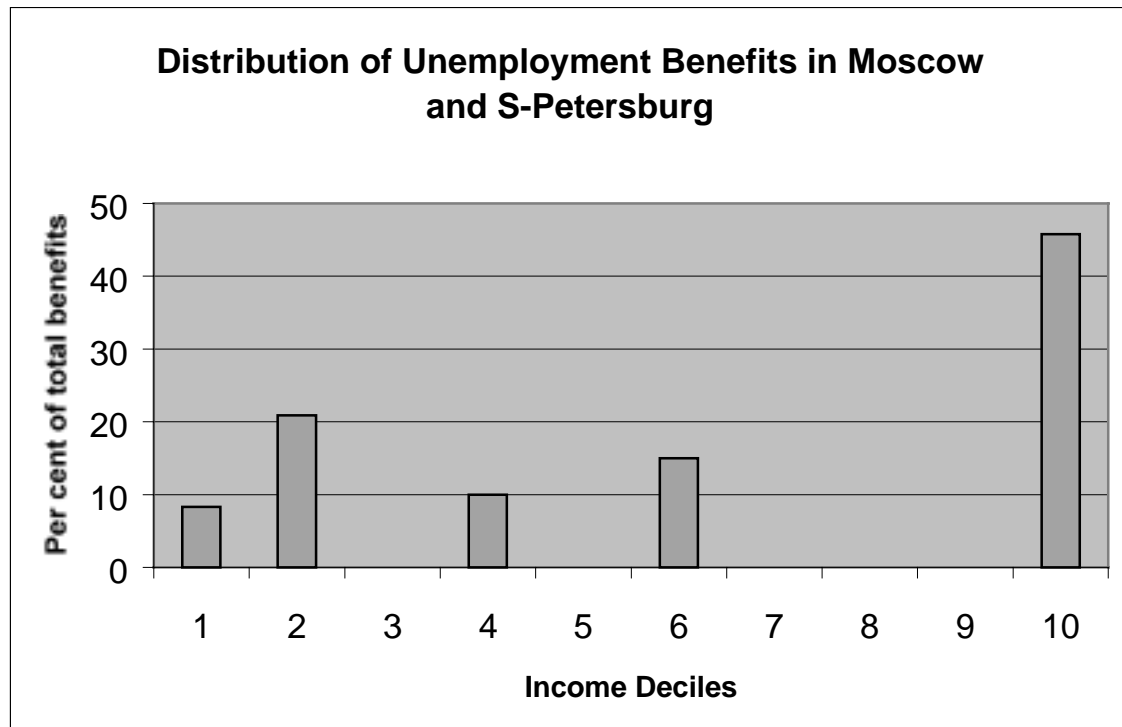


Figure 11.

The next district is East Russia. This part includes 12 administrative regions:

- "Komi (Sictivcar)", "Komi (Usinskii reg.)"
- "Tchuvashiya"
- "Republic of Tatarstan (Kazan)"
- "Chelyabinsk City", "Chelyabinskaya Oblast"
- "Kurgan"
- "Udmurtiya"
- "Orenbyrgskaya Obl"
- "Permskaya Obl"
- "Tomskaya Oblast"
- "Hanti-Mansiiskii Okrug (Tumenskaya Obl)"
- "Altaiskiy Krai (Biisk)", "Altaiskiy Krai (Kuria)"
- "Krasnoyarsk City", "Krasnoyarskii Krai"

The share of households receiving unemployment benefits is 1.2% of all households in this district.

Figure 12 shows the distribution of unemployment benefits for East Russia.

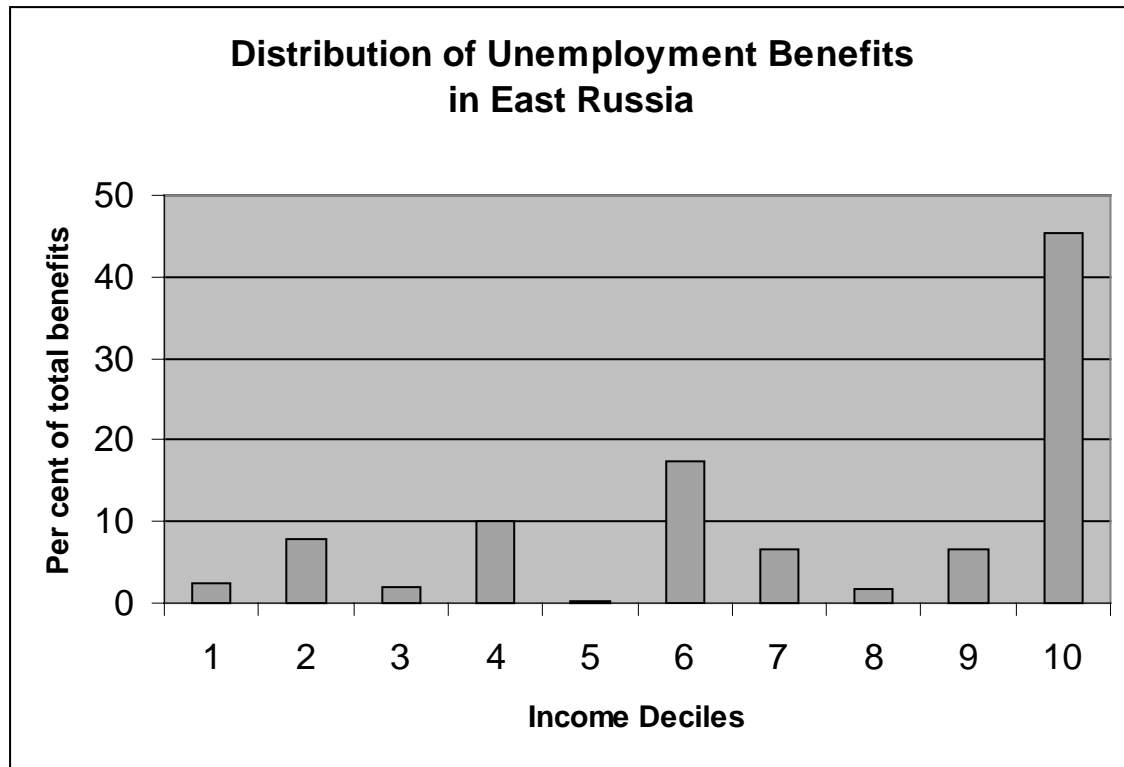


Figure 12.

1,464 households participated in the survey, which covered such large regions as "Hanti-Mansiiskii Okrug (Tumenskaya Obl)". It is important in terms of oil and gas production and represents one of the richest regions in Siberia. The area is characterized by seasonal work, whereby the wages at high season are very high. Many people in Hanti-Mansiisk and Tumen do not have jobs in the off-season, and according to Russian legislation these people are entitled to receive unemployment benefits during the off-season. As a general rule, the level of these benefits is very high, and furthermore, involves many people. Households in this region are rich, which is reflected by the tenth decile in Figure 12. The average income per person in the Tumen region is 1.7868,78 rubles (\$326), where the corresponding figure in Moscow is 935,860 rubles (\$171). Thus, in Figure 12 the "richest" tenth decile corresponds to the Tumen region.

The next region is West (and Southwest) Russia, excluding Moscow and St. Petersburg. This district includes 14 administrative regions:

- "Smolensk"
- "Kalininskaya (Tverskaya) Obl"
- "Tula"
- "Kaluzskaya Obl"
- "Nizhniy Novgorod"
- "Penzenskaya Obl"
- "Lipetzsk"
- "Tambovskaya Obl"
- "Saratov City", "Saratovskaya Oblast"
- "Volgogradskaya Oblast"
- "Kabardino-Balkar Republic"
- "Rostovskaya Oblast"
- "Krasnodar City", "Krasnodarskii Krai"
- "Stavropol'skii Krai"

The share of households receiving unemployment benefits is 1.2% of all households in this district. Figure 13 shows the distribution of unemployment benefits in West and Southwest Russia.

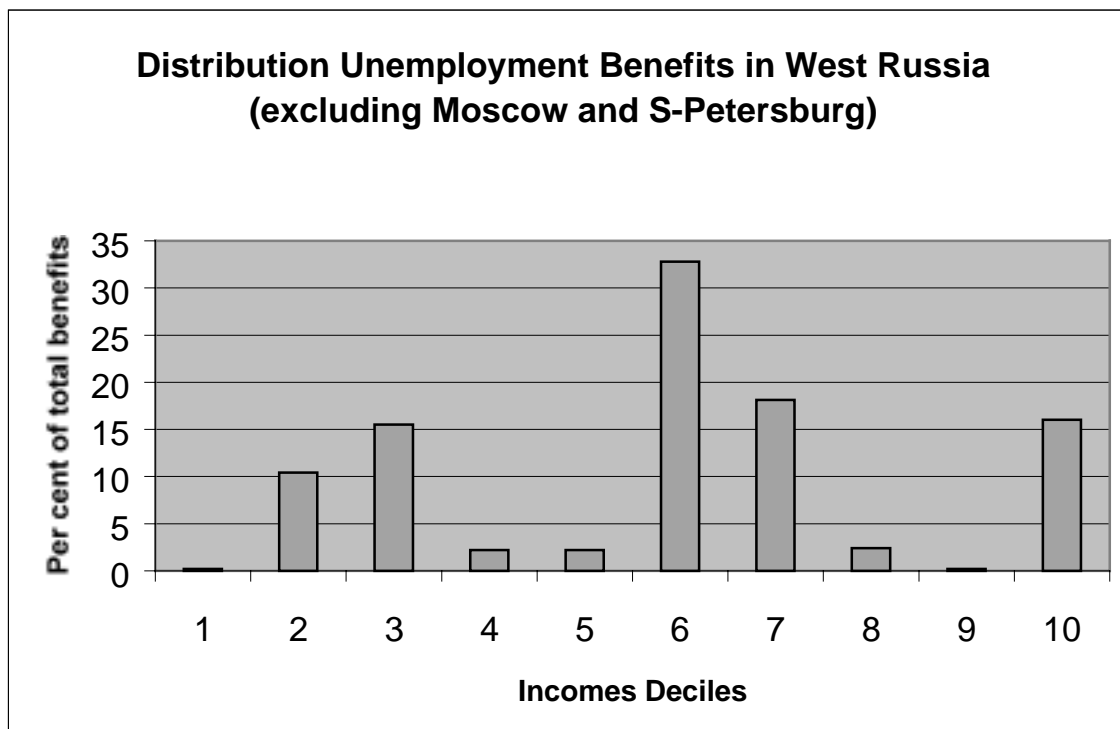


Figure 13.

1,486 households participated in the survey.

The next region is the Far East. It includes 2 administrative regions:

- "Primorskii Krai (Vladivostok)"
- "Amurskaya Oblast"

According to the study, the households in these regions did not receive unemployment benefits. This proves that the security system of unemployment benefits does not work in the Far East. The area also represents one of the most economically depressed regions in the Russian Federation. Wages in these regions are sometimes delayed for 10-12 months. As those actually employed do not always receive salaries, it is difficult to imagine a situation where those unemployed receive unemployment benefits. This situation illustrates the low structural level of such regions, as well as the poor development of the market economy.

In other regions the economic situation is much better, which raises the important question of a fair distribution of unemployment benefits. It can be seen that the tenth decile consumes a considerable share of these benefits in every district. However, excluding Hanti-Mansiiskii Okrug (Tumenskaya Oblast), the distribution of unemployment benefits in the eastern part of Russia is the most uniform. In Moscow and in St. Petersburg a little less than 50% of the benefits go to the tenth decile. At the same time the share of benefits that goes to the first decile is 7 times more than that of the Russian average. In all three districts the shortest column in the tenth decile is in West (excluding Moscow and St. Petersburg) and Southwest Russia, however the share of benefits that go to the first decile is also very small. The main share of benefits in this district goes to the sixth and the seventh deciles, i.e. to the average households, according to income. The structure of the tenth decile in Figure 9 as a rule consists of the households of Moscow, St. Petersburg, Hanti-Mansiiskii Okrug, and of other highly developed regions of Russia. At the same time the share of benefits going to the poorest households is not particularly small for these highly developed regions. It is the medium deciles (5-7) in these regions that receive the lowest of all unemployment benefits, when compared to other less advanced regions.

3. Medical Care in Russia

Medical care is one of the most important issues in social security. Even though medical insurance plays such a significant role, only 65.4% of Russia's population (96.5 million people) are covered by medical insurance. When examined, the structure of payments for medical

insurance is as follows: 1.7% (1.6 million) people are privately insured, 43.2% (41.7 million) are covered by medical insurance systems provided by various institutions, 47.3% (45.7 million) have government medical insurance, and 7.8% (7.5 million) have other variations of medical insurance. The average monthly premium for such an insurance is 216,110 rubles or \$39 (1996, Q4).

The system of medical insurance is new to the Russian economy. The government paid for all medical expenses of the population in the former Soviet Union. Medical care was therefore free. The average Russian citizen does not know or understand the concept of “medical insurance” and this is the main reason why the system of private medical insurance does not work. The second reason involves the lack of confidence and trust that Russians have in insurance companies, especially as a system of private medical insurance is still poorly developed in the Russian Federation. At the same time, those people who have medical insurance provided by the government represent the largest segment of the insured. However, 34.6% of the population living in the country have no medical insurance at all, and this represents a difficult and potentially dangerous situation. The most economically depressed regions of Russia are characterized by poorest sectors of the population. They not only have insufficient money for medical insurance; they are also unable to afford medical treatment.

According to the survey results, 40.8% (60.2 million) of the population had health problems during the last months. Of these, only 16.85% (24.9 million) sought treatment at medical dispensary institutions. Others (23.95% of the population) attempted to treat themselves. People go to hospital very rarely. Only 1.85% (2.7 million) visited local hospitals (Figure 15), 0.08% (0.1 million) went to a hospital where they paid for treatment. As a rule, people attend local polyclinics and 14.34% (21.2 million) of the population made such a visit during last months. Another 0.39% (0.6 million) sought treatment at a private polyclinic where they paid for their own treatment, and 0.19% (0.3 million) went to see a private physician (see Figure 14).

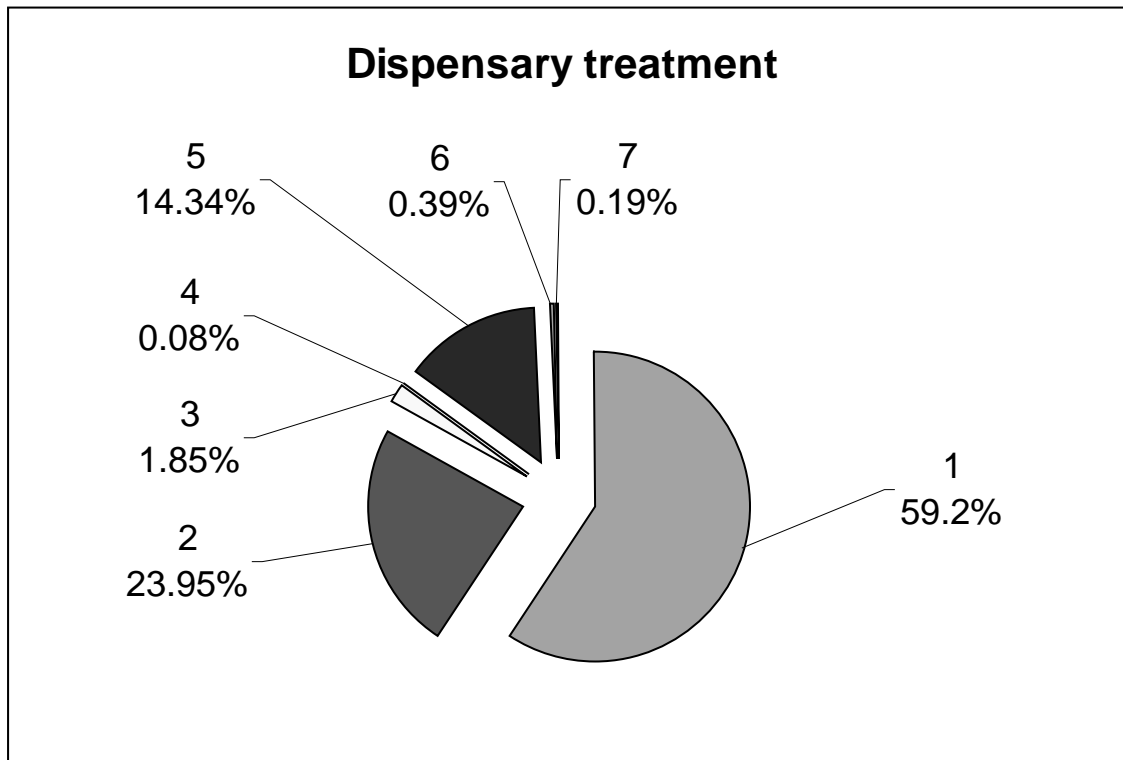


Figure 14.

1. Share of population who had no health problems in the last months (1996, December).
2. Share who did not go to a medical institution, but had health problems.
3. Share who visited a local public hospital.
4. Share who visited a private hospital.
5. Share who visited a local public polyclinic.
6. Share who visited a private polyclinic.
7. Share who visited a private physician.

In recent months, 5.7% (1.4 million) people attending medical dispensary institutions paid for the visit. The average price for a visit to a medical institution (policlinic) is 125,055 rubles or \$23. It is clear that a huge part of the population (23.95%) with minor health problems did not attend a medical institution, but instead attempted to treat themselves. Such a decision is driven by factors such as the poor quality of medical services at the polyclinics, especially at the village levels, and the long queues of patients waiting for treatment.

During the past three months, 4.8% (7.1 million) of the population were hospitalized. Of that figure, 99% (7.03 million) were hospitalized in a city, state, or village hospital. Only 1% (0.07 million) were admitted to a private hospital. The average stay, for people hospitalized during the last three months, is 19.5 days. The percentage of people who were hospitalized and paid for their treatment is 27% (1.9 million) (see Figure 15).

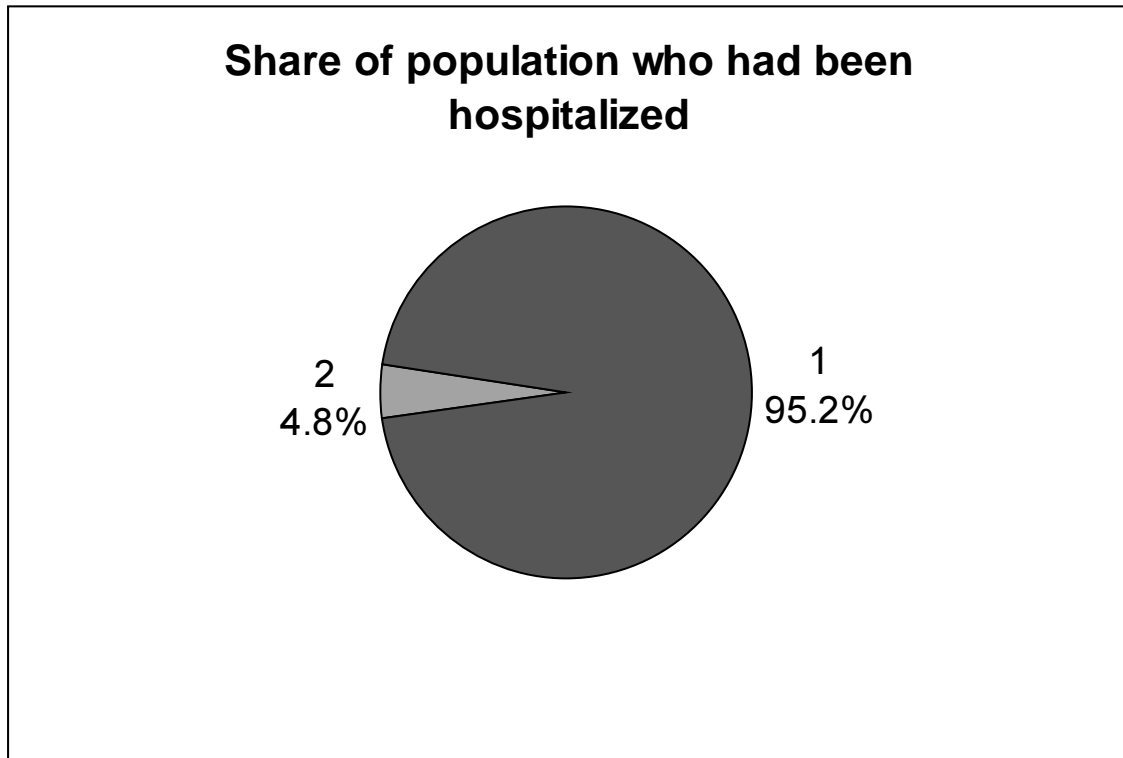


Figure 15.

1. Share of population not hospitalized in the last three months.
2. Share of hospitalized population in the last three months.

In 1996 3.5% (5.2 million) of the population had a surgical operation, of which 85.1% (4.4 million) were treated at a city or district hospital (excluding oncological centers), 4.7% (0.3 million) underwent operations in oncological centers or departments of hospitals. Another 10.2% (0.5 million) underwent operations in other places (private hospitals, hospitals abroad, etc.).

It can therefore be observed that private medical institutions play a very minor role in the overall medical care of the population. This fact confirms that the private medical sector was created specifically for the

country's richest people. Although it is a very profitable business, it does not play an essential role in the medical care of the population. As a general rule, even rich people prefer to have treatment in a city state-run hospital, because the quality of medical service in such hospitals is extremely high, especially in Moscow. Recently, payment for serious surgical operations has been introduced in city state-run hospitals and this is reflected in the disproportionate number of treatments in private hospitals, and the number of people who pay for medical operations.

About 6% (8.9 million) of the population missed attending work or studies due to illness during the last months. This represents an average of 9.3 days.

The proportion of the population able to find or buy medicine was 88.4% (130.4 million). The percentage of those entitled to a discount on medicine was 32.2% (47.5 million) (see Figure 16).

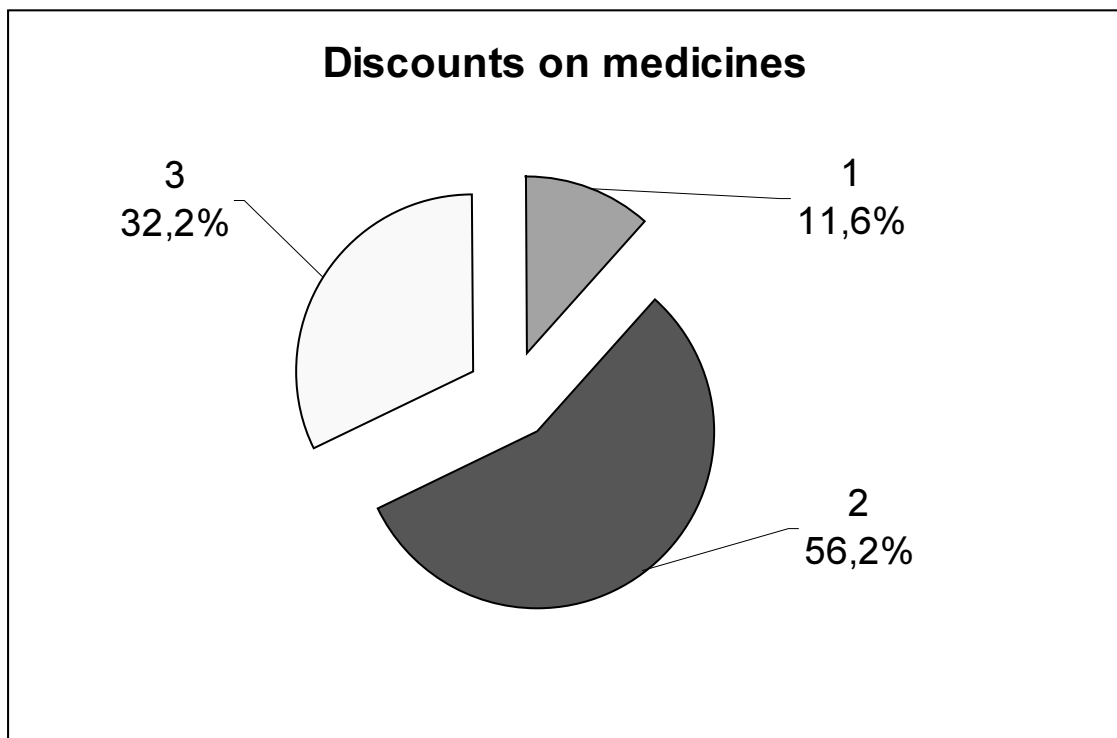


Figure 16.

1. Share of population who were not able to find or buy medicine.
2. Share of population who were able to find or buy medicine without receiving a discount.
3. Share of population able to find or buy medicine at a discount.

The huge number of people unable to procure or buy medicine (11.6% of the population) is due to the fact that it is sometimes impossible to obtain rare medical preparations (for example, those necessary for an operation) in small towns and villages. The price for such medicine can be very high and many people do not qualify for discounts on such products. Generally speaking, discounts apply to cheap and commonly consumed medications. The following discount structure applies: 77.4% (36.8 million) people able to buy medicine, and entitled to a discount enjoyed a 100% discount (free medicine). 21.2% (10 million) of those entitled to a discount were granted a 50% discount. 1.4% (0.7 million) obtained a 20% discount. The average price for medicine is 71,773 rubles or \$13 (this figure was calculated by excluding the free medication issued to people).

According to the summarized information on smoking and alcohol consumption in Russia, 31.1% (45.9 million) of the population are smokers and 52.5% (77.4 million) of the population consume alcoholic beverages. The number of chronic alcoholics represents 2.5% (3.6 million) of the population (classified as those who regularly consume alcoholic beverages more than 4 times a week). This is one of Russia's most serious problems, because these huge numbers of alcoholics are unemployed and have no desire either to work or to learn a new profession.

Conclusion

The household survey conducted by the Carolina Population Center and the University of North Carolina gives a realistic picture of the labor market in Russia. As can be clearly seen in the figures presented in Table 1, the numbers differ significantly from the information supplied by Goskomstat. There are, however, some figures from the questionnaire survey and Goskomstat that are the same, for example, the quantity of registered unemployed. According to the Goskomstat data, registered unemployment grew during last 4 years (1994-1997). The duration of registered unemployment also increased every year. This is illustrated in Figure 5. Growing unemployment accentuated the problem of fair distribution of unemployment benefits. Figures 9 and 10 show the ineffective distribution of governmental funds for such benefits. The major problem is that unemployment benefits are linked to levels of former salaries. People who were in well-paid positions, do not necessarily make haste to find another position. Parallel to this situation is the fact that beneficiaries of unemployment benefits coming from the poorest

households are paid at well below subsistence level. If unemployment benefits were calculated on the same scale for all those unemployed, this would represent a much fairer distribution of the budget allocated for these purposes. The level of unemployment benefits would then depend on the individual region, as the subsistence level differs from one region to the other. Such changes would help redistribute unemployment benefits to the poorest households. Unemployment benefits should represent a minimum guarantee of existence for all, and such benefits should be easily accessible to the genuinely unemployed who are actively looking for work.

There have been many changes to the Russian medical service during the past 10 years. Although a private medical service sector has been created, it still plays a minor role in the medical care of the population. Private medical care functions primarily for extremely rich people, and there is no chance of it becoming more widespread in the near future. Private medicine is not expected to develop any further than it is today. At the same time, it must be said that the system of medical insurance is still not functioning under normal conditions and remains unavailable to a huge section of the population. The government should therefore focus their attention on this problem and organize a system of medical insurance covering the entire population. At the same time it is necessary to create suitable conditions for an intensive development of private medical insurance. Only then will it be possible to expect progress in the private medical sector.

Russia currently has a broad system of discounts on medical preparations. There are three types of discounts: 100%, 50% and 20%. The 20% discount is of little use, as it is only accessible to a very small part of the population. Reforming the bureaucratic procedure to improve this system of discounts may, in the end, cost more money than it actually saves. It might therefore be worthwhile to abolish this discount and redirect these government funds to support state polyclinics and hostels, in particular to allow people without medical insurance to undergo expensive surgical operations. This is also linked to the question of the development of medical insurance in Russia.